

AMENDED IN SENATE APRIL 7, 2008

AMENDED IN ASSEMBLY JANUARY 24, 2008

AMENDED IN ASSEMBLY JANUARY 17, 2008

AMENDED IN ASSEMBLY JANUARY 15, 2008

AMENDED IN ASSEMBLY APRIL 9, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1699

Introduced by Assembly Member Duvall

February 23, 2007

An act to amend ~~Section 1765~~ *Sections 1750, 1765, and 1765.2* of the Insurance Code, relating to license fees, *and declaring the urgency thereof, to take effect immediately.*

LEGISLATIVE COUNSEL'S DIGEST

AB 1699, as amended, Duvall. Insurance: surplus line brokers' fees.

Existing law requires certain types of licensees to pay in advance to the department, a fee for filing an application for licensure, as specified.

This bill would, in addition, require surplus line brokers transacting only on behalf of a surplus line organization to pay in advance a filing fee of \$250 per year or part of a year, as specified. All other surplus line brokers would be required to pay in advance a filing fee of \$500 per year or part of a year, as specified.

Existing law provides that the filing fee for a license to act as a surplus line broker is \$700 every 2 years, or for any initial fractional license year.

This bill would provide that the filing fee for a license to act as a surplus line broker is \$1,000 every 2 years, or for any initial fractional license year.

This bill would provide that for an individual licensed as a surplus line broker who only transacts on behalf of a surplus line broker organization the filing fee is \$500 every 2 years, or for any initial fractional license year.

This bill would provide that the department is authorized to collect additional license fees resulting from the increases in licensee fees provided by the bill and shall refund or credit any overpayment resulting from reductions in license fees provided by the bill.

Existing law generally requires that surplus lines insurance be transacted through a surplus lines broker; and requires an individual to be licensed in order to transact surplus line brokerage business.

This bill would repeal the requirement of licensure of individuals.

Existing law provides that surplus line brokers satisfy continuing education requirements, as specified.

This bill would provide that an entity licensed as a surplus line broker provide 2 hours of appropriate training every 5 years to its employees who solicit, negotiate, or effect insurance coverage placed by a nonadmitted insurer. The surplus line advisory organization would develop the curriculum for the training, as specified.

Existing law provides that a surplus line license may be issued to an individual or any legal business entity. If issued to a business entity or individual that maintains more than one surplus line office in this state, it shall name the natural person or persons located at each surplus line office maintained in this state by the licensee who is or are to be responsible for the proper discharge at each office of all duties placed upon the licensee acting as a surplus line broker or who transacts insurance with the public as distinguished from insurance producers. Existing law provides that each of these natural persons must meet all of the requirements for the license.

This bill would instead require that each person who is to be responsible for the proper discharge of licensee duties at each office from which a surplus lines broker transacts that business with California residents be licensed as a surplus line broker. This bill would apply that provision to every business entity or individual that maintains more than one such surplus line office.

This bill would declare that it is to take effect immediately as an urgency statute.

Vote: ~~majority~~^{2/3}. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 *SECTION 1. Section 1750 of the Insurance Code is amended*
2 *to read:*

3 1750. The commissioner shall require in advance as a fee for
4 filing application for the hereinafter designated licenses, renewals
5 thereof, or changes in outstanding licenses, an amount calculated
6 as set forth herein. The fee is determined by multiplying the number
7 of license years in the period of the license applied for or the
8 remaining period of an existing license counting any initial
9 fractional license year of that period as one year for that purpose,
10 as follows:

- 11 (a) Fire and casualty broker-agent, fifty-six dollars (\$56).
- 12 (b) Personal lines broker-agent, resident, fifty-six dollars (\$56).
- 13 (c) Life agent, resident, fifty-six dollars (\$56).
- 14 (d) Life agent, nonresident, fifty-six dollars (\$56).
- 15 (e) *Surplus line broker who is an individual transacting only*
16 *on behalf of a surplus line broker organization, two hundred fifty*
17 *dollars (\$250).*
- 18 (f) *Surplus line broker not described in subdivision (e), five*
19 *hundred dollars (\$500).*

20 ~~SECTION 1.~~

21 *SEC. 2. Section 1765 of the Insurance Code is amended to*
22 *read:*

23 1765. (a) A license under this chapter shall be applied for and
24 renewed by the filing with the commissioner of a written
25 application therefor, in accordance with Section 1652.

26 (b) Subject to subdivision (f), the commissioner shall issue a
27 license authorizing any applicant who is trustworthy and competent
28 to transact an insurance brokerage business in a manner as to
29 safeguard the interest of the insured, to act as a surplus line broker
30 from the date of the license until the expiration date specified in
31 Section 1630. ~~In order to transact surplus line brokerage business,~~
32 ~~an individual must be licensed as a surplus line broker.~~

33 (c) An applicant for a surplus line broker's license shall, as part
34 of the application and a condition of the issuance of the license,
35 file a bond to the people of the State of California in the sum of

1 fifty thousand dollars (\$50,000), conditioned that the licensee will
2 fully and faithfully comply with the requirements of this chapter,
3 and all applicable provisions of this code. The bond shall be subject
4 to Sections 1662 and 1663. A surplus line broker bond is not
5 required for an individual licensed as a surplus line broker who
6 only transacts on behalf of a licensed surplus line broker
7 organization.

8 (d) The filing fee for a license to act as a surplus line broker
9 shall be one thousand dollars (\$1,000) every two years, or for any
10 initial fractional license year. For an individual licensed as a surplus
11 line broker who only transacts on behalf of a surplus line broker
12 organization, the filing fee shall be five hundred dollars (\$500)
13 every two years, or for any initial fractional license year. Every
14 applicant for a business entity license, as provided in subdivision
15 (a) of Section 1765.2, shall provide the names of all persons who
16 may exercise the power and perform the duties under the license.
17 Whenever an organization licensed as a surplus line broker desires
18 to change, remove, or add to the natural person or persons who
19 are to transact insurance under authority of its license, it shall
20 immediately file an application or notice with the commissioner
21 for an endorsement changing its license accordingly, on a form
22 prescribed by the commissioner. The fee for adding or removing
23 from any surplus line broker's license issued to an organization
24 the name of any natural person, named thereon, shall be
25 twenty-four dollars (\$24). The commissioner shall require that the
26 qualifying examination provided by subdivision (a) of Section
27 1676 be taken by any natural person named by the organization
28 to exercise its agency or brokerage powers who would be required
29 to take and pass the qualifying examination. That natural person
30 or persons and the organization are in all other respects subject to
31 the provisions of this chapter and the insurance laws.

32 (e) The department is authorized to collect additional license
33 fees resulting from the increases in licensee fees provided by the
34 act that adds this subdivision and shall ~~refund or~~ credit any
35 overpayment resulting from reductions in license fees provided
36 by that act.

37 (f) *A business entity licensed under this chapter shall provide*
38 *two hours of appropriate training to its employees who solicit,*
39 *negotiate, or effect insurance coverage placed by a nonadmitted*
40 *insurer. The training shall be given to each eligible employee every*

1 *five years. The surplus line advisory organization authorized*
2 *pursuant to Chapter 6.1 (commencing with Section 1780.50) shall*
3 *develop the curriculum for the training.*

4 (f)

5 (g) The license shall be renewed in accordance with, and subject
6 to, Sections 1717, 1718, 1719, and 1720.

7 (g)

8 (h) The commissioner may deny, suspend, or revoke any license
9 applied for or granted pursuant to this chapter on all or any one of
10 the grounds and in accordance with the procedures provided in
11 Article 6 (commencing with Section 1666) and Article 13
12 (commencing with Section 1737) of Chapter 5, whenever the
13 commissioner finds that the applicant or licensee has committed
14 a violation of any provision of this code.

15 *SEC. 3. Section 1765.2 of the Insurance Code is amended to*
16 *read:*

17 1765.2. (a) A license under this chapter may be issued to an
18 individual or any legal business entity. If issued to a business entity
19 or individual that maintains more than one surplus line office ~~in~~
20 ~~this state from which it transacts that business with California~~
21 *residents*, it shall name the natural person or persons located at
22 each *such* surplus line office maintained ~~in this state~~ by the licensee
23 who is or are to be responsible for the proper discharge at each
24 office of all duties placed upon the licensee acting as a surplus line
25 broker ~~or who transacts insurance with the public as distinguished~~
26 ~~from insurance producers and each of these natural persons must~~
27 *be licensed as a surplus line broker*. Each natural person shall
28 meet all of the requirements for the license.

29 (b) Every application for a license filed by a corporation shall
30 contain the names and addresses of all stockholders owning 10
31 percent or more of the corporation's stock, and of all officers and
32 directors of the corporation. Every licensed corporation shall file
33 a written notice with the commissioner of all changes, except
34 address changes, of its stockholders who own 10 percent or more
35 of the corporation's stock and of all officers and directors of the
36 corporation.

37 *SEC. 4. This act is an urgency statute necessary for the*
38 *immediate preservation of the public peace, health, or safety within*
39 *the meaning of Article IV of the Constitution and shall go into*
40 *immediate effect. The facts constituting the necessity are:*

- 1 *This act is required for the proper regulation of surplus line*
- 2 *brokers and to provide for the proper education of nonlicensed*
- 3 *employees of surplus line brokers at the earliest possible time.*